

**POWELL TOWNSHIP SCHOOLS  
BIG BAY, MICHIGAN**

**FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

## **TABLE OF CONTENTS**

Independent Auditors' Report.....	4
Management's Discussion and Analysis.....	6

### **BASIC FINANCIAL STATEMENTS District-wide Financial Statements**

Statement of Net Assets .....	13
Statement of Activities .....	14

### **Fund Financial Statements**

Governmental Funds:	
Balance Sheet .....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance .....	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	18
Fiduciary Funds – Statements of Net Assets .....	19
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets .....	20
Notes to Financial Statements .....	21

### **REQUIRED SUPPLEMENTAL INFORMATION**

General Fund – Budgetary Comparison Schedule.....	33
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### **OTHER SUPPLEMENTAL INFORMATION**

General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	35
Nonmajor Governmental Funds – Combining Balance Sheet.....	39
Nonmajor Governmental Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balance .....	40
Nonmajor Special Revenue Funds – Combining Balance Sheet .....	41
Nonmajor Special Revenue Funds – Combining Schedule of Revenues, Expenditures and Changes in Fund Balance .....	42
School Lunch Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....	43

Athletic Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....	44
Capital Projects Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....	45
Student Activity Agency Fund – Statement of Changes in Assets And Liabilities.....	46

## **COMPLIANCE SECTION**

Report on Compliance on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	48
Report to Management .....	49



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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Powell Township Schools  
Big Bay, Michigan 49839

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Powell Township Schools, as of and for the year ended June 30, 2006, which collectively comprise the Powell Township Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Powell Township Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Powell Township Schools as of June 30, 2006, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2006, on our consideration of the Powell Township Schools' internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Powell Township Schools  
Big Bay, Michigan 49839

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Powell Township Schools' basic financial statements. The combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 13, 2006

## **Powell Township Schools Management's Discussion and Analysis (Unaudited)**

Our discussion and analysis of Powell Township Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 13.

### **FINANCIAL HIGHLIGHTS**

- Net assets for Powell Township Schools as a whole were reported at \$519,126. Net assets are comprised of 100% governmental activities.
- During the year, Powell Township Schools expenses were \$902,423, while revenues from all sources totaled \$874,321, resulting in a decrease in net assets of \$28,102.
- The general fund reported a decrease of \$7,741 before other financing sources (uses) and a total decrease of \$14,878. This is \$5,111 lower than the forecasted decrease of \$19,989. This was a result of revenues being \$12,141 lower than forecasted and expenses being 21,164 lower than forecasted and transfers out being \$3,912 greater than forecasted.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Powell Township Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Powell Township Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

## Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds – *governmental* and *proprietary* – use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

### The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2006 and 2005.

**Table 1**  
**Net Assets**

	Governmental Activities-2006	Governmental Activities-2005
Current and other assets	\$433,131	\$437,081
Capital assets, net	238,150	273,841
Total Assets	671,281	710,922
Current liabilities	88,620	89,274
Long-term liabilities	63,535	74,420
Total Liabilities	152,155	163,694

## Management's Discussion and Analysis (Unaudited) (Continued)

	Governmental Activities-2006	Governmental Activities-2005
Net Assets:		
Invested in capital assets, net of related debt	\$225,530	\$249,204
Restricted	80,000	80,000
Unrestricted	213,596	218,024
Total Net Assets	<u>\$519,126</u>	<u>\$547,228</u>

The School District's net assets were \$519,126 at June 30, 2006. Capital assets, net of related debt totaling \$225,530, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$213,596 was unrestricted.

The \$213,596 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2006 and 2005.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities – 2006	Governmental Activities - 2005
Revenues:		
Program revenues:		
Charges for services	\$35,551	\$10,417
Operating grants and contributions	112,311	150,187
General revenues:		
Property taxes	681,124	660,459
State sources not restricted to specific program	13,737	24,520
Investment earnings	20,318	9,767
Miscellaneous	11,280	100
Total Revenues	<u>874,321</u>	<u>855,450</u>
Program Expenses:		
Instruction	582,270	544,074
Supporting services	239,761	266,512
Community services	253	373
Food service activities	43,211	44,433
Athletic activities	-	56
Depreciation	35,691	-
Interest on long-term debt	1,237	562
Total Expenses	<u>902,423</u>	<u>856,010</u>
Increase (decrease) in net assets	<u>(28,102)</u>	<u>(560)</u>
Net assets, beginning	547,228	547,788
Net Assets, Ending	<u>519,126</u>	<u>\$547,228</u>



## Management's Discussion and Analysis (Unaudited) (Continued)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$902,423. Certain activities were partially funded from those who benefited from the programs, \$35,551, or by other governments and organizations that subsidized certain programs with grants and categoricals, \$112,311. We paid for the remaining "public benefit" portion of our governmental activities with \$694,861 in taxes, \$6,873 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a minimal decrease in net assets for the year of \$28,102.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	582,270	\$489,480
Supporting services	239,761	211,086
Food service activities	43,211	17,452
Totals	865,242	\$718,018

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$357,131, a decrease of \$2,693 from the beginning of the year. The change in the combined fund balance was a result of Powell Township School making a conscious effort to try and reduce spending to maintain a fund balance that will assist the School in remaining financially stable for the upcoming year. In 2005 – 2006 Powell Township Schools has set aside \$25,000 in the Capital Projects fund balance for needed upgrades in building, technology, and transportation.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

## Management's Discussion and Analysis (Unaudited) (Continued)

### BUDGETED REVENUES:

General Fund Revenues changed from Original to Final Budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$770,998</u>	<u>\$822,724</u>	<u>\$51,726</u>	<u>6.29%</u>

Powell Township School's final budgeted revenues differed from the original budget as follows:

- By \$51,726 or 6.29%.

The significant increase in the budgeted revenue can be attributed partially to grants. Grants are recognized on Powell Township School's financial statements once the School receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Other contributing factors were increases in interest rates and tax values, resulting increased interest income and tax revenue.

### BUDGETED EXPENDITURES

General Fund Expenditures changed from the Original to Final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$812,809</u>	<u>\$839,488</u>	<u>\$26,679</u>	<u>3.28%</u>

Powell Township School's final budgeted expenditures differed from the original budget as follows:

- By \$26,679 or 3.28%

The significant increase in the budgeted expenditures can be attributed mainly to grants. Grants are recognized on Powell Township School's financial statements once the School receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant expenditures that will be expended in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

### ACTUAL REVENUES

The General Fund Actual Revenues differed from the Final Budget as follows:

	Actual	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$810,583</u>	<u>\$822,724</u>	<u>\$12,141</u>	<u>1.48%</u>

Powell Township School's final budgeted revenues differed from the actual revenues as follows:

- By \$12,141 or 1.48% less than the final budget.

## Management's Discussion and Analysis (Unaudited) (Continued)

The significant variance in revenue can be attributed partially to grants. Grants are recognized on Powell Township School's financial statements once the School received formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Other contributing factors were USF revenue and State Aid being less than anticipated.

### ACTUAL EXPENDITURES

General Fund Actual Expenditures differed from the Final budget as follows:

	Actual	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$818,324</u>	<u>\$839,488</u>	<u>\$21,164</u>	<u>2.52 %</u>

Powell Township School's final budgeted expenditures differed from the actual expenditures as follows:

- By \$21,164 or 2.52% less than the final budget.

The significant variance in expenditures can be attributed partially to grants. Grants are recognized on Powell Township School's financial statements once the School receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Other contributing factors were election costs and building repair estimates being higher than actual costs.

### Capital Asset and Debt Administration

#### ***Capital Assets***

At June 30, 2006 and 2005, the School District had \$238,150 and \$273,841 invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities – 2006	Governmental Activities – 2005
Land	\$94,512	\$94,512
Buildings and improvements	62,994	66,493
Buses	48,586	69,723
Furniture and fixtures	32,058	43,113
Totals	<u>\$238,150</u>	<u>\$273,841</u>

There were no current year additions. We anticipate capital additions for the 2006-2007 fiscal year will be comparable to the 2005-2006 fiscal year.

## **Management's Discussion and Analysis (Unaudited) (Continued)**

### ***Debt***

There were no new additions to debt this year. At the end of this year, the School District had an installment bus note payable in the amount of \$12,620. We present more information about our long-term debt in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2006 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 82% percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget. School districts throughout the state must adjust their budgets if the State decreases the per pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2006-07 school year, the state of the economy on a state and national level will be reflected in our budget.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Powell Township Schools, P.O. Box 160, Big Bay, MI 49808

**Powell Township School District**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 385,781
Receivables:	
Due from other governmental units	45,984
Inventories	591
Prepaid Expenses	<u>775</u>
<b>TOTAL CURRENT ASSETS</b>	<u>433,131</u>
<b>Non-current assets:</b>	
Land	94,512
Capital assets	660,924
Less accumulated depreciation	<u>(517,286)</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>238,150</u>
<b>TOTAL ASSETS</b>	<u>671,281</u>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	7,271
Accrued liabilities	60,554
Deferred revenue	8,175
Current portion of long term debt obligations	<u>12,620</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>88,620</u>
<b>Non-current liabilities:</b>	
Non-current portion of employee benefit obligations	<u>63,535</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>63,535</u>
<b>TOTAL LIABILITIES</b>	<u>152,155</u>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	225,530
Restricted:	
CDJ	80,000
Unrestricted	<u>213,596</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 519,126</u></u>

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Statement of Activities

For the Year Ended June 30, 2006

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 523,340	\$ 1,002	\$ 91,788	\$ (430,550)
Supporting services	298,691	28,675	-	(270,016)
Food service activities	43,211	5,874	19,885	(17,452)
Athletic activities	-	-	-	-
Community services	253	-	638	385
Depreciation	35,691	-	-	(35,691)
Interest on retirement of debt	1,237	-	-	(1,237)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 902,423</b>	<b>\$ 35,551</b>	<b>\$ 112,311</b>	<b>(754,561)</b>
<b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				681,124
Commercial forest tax				13,737
State of Michigan aid, unrestricted				6,873
Interest and investment earnings				20,318
Other				4,407
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>726,459</b>
<b>Change in Net Assets</b>				<b>(28,102)</b>
Net Assets , July 1				547,228
<b>Net Assets, June 30, 2005</b>				<b>\$ 519,126</b>

The accompanying notes are an integral part of these financial statements.

**Powell Township School District**

**Governmental Funds**

**Balance Sheet**

**June 30, 2006**

	<b>General Fund</b>	<b>Library Trust Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 266,788	\$ 497	\$ 34,521	\$ 301,806
Investments - certificates of deposit	-	83,975	-	83,975
Due from other governmental units	45,500	-	484	45,984
Due from other funds	373	-	-	373
Inventories	-	-	591	591
Prepaid expenses	775	-	-	775
<b>TOTAL ASSETS</b>	<b>\$ 313,436</b>	<b>\$ 84,472</b>	<b>\$ 35,596</b>	<b>\$ 433,504</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 7,160	\$ -	\$ 111	\$ 7,271
Accrued liabilities	60,554	-	-	60,554
Due to other fund	-	-	373	373
Deferred revenue	7,584	-	591	8,175
<b>TOTAL LIABILITIES</b>	<b>75,298</b>	<b>-</b>	<b>1,075</b>	<b>76,373</b>
<b>FUND BALANCES:</b>				
Reserved for:				
CDJ	-	80,000	-	80,000
Unreserved:				
Designated	-	-	34,521	34,521
Undesignated	238,138	4,472	-	242,610
<b>TOTAL FUND BALANCES</b>	<b>238,138</b>	<b>84,472</b>	<b>34,521</b>	<b>357,131</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 313,436</b>	<b>\$ 84,472</b>	<b>\$ 35,596</b>	<b>\$ 433,504</b>

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2006

Total Fund Balances for Governmental Funds	\$	357,131
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Cost of capital assets	\$ 755,436	
Accumulated depreciation	<u>(517,286)</u>	
		238,150

Long-term liabilities are not due and payable in the current period and are  
not reported in the funds. Long-term liabilities at year-end consist of:

Note payable	12,620	
Compensated absences	<u>63,535</u>	
		(76,155)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>519,126</u></b>
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The accompanying notes are an integral part of these financial statements.



Powell Township School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2006

	General Fund	Library Trust Fund	Non-Major Governmental Funds	Total
<b>REVENUES:</b>				
Property taxes	\$ 694,861	\$ -	\$ -	\$ 694,861
Federal sources	25,795	-	19,373	45,168
State Aid	44,860	-	512	45,372
Local sources	27,388	-	5,873	33,261
Interest	17,654	2,664	-	20,318
<b>TOTAL REVENUES</b>	<b>810,558</b>	<b>2,664</b>	<b>25,758</b>	<b>838,980</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	505,255	-	-	505,255
Supporting services	298,691	-	-	298,691
Community services	253	-	-	253
Food service activities	-	-	43,211	43,211
Athletic activities	-	-	-	-
Debt service	13,254	-	-	13,254
Capital outlay	871	-	15,479	16,350
<b>TOTAL EXPENDITURES</b>	<b>818,324</b>	<b>-</b>	<b>58,690</b>	<b>877,014</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,766)</b>	<b>2,664</b>	<b>(32,932)</b>	<b>(38,034)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of assets	25	-	-	25
Transfers in	-	-	42,453	42,453
Transfers from other governmental units	7,385	-	-	7,385
Transportation reimbursement	27,931	-	-	27,931
Transfers out	(42,453)	-	-	(42,453)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(7,112)</b>	<b>-</b>	<b>42,453</b>	<b>35,341</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(14,878)</b>	<b>2,664</b>	<b>9,521</b>	<b>(2,693)</b>
Fund Balance, July 1	253,016	81,808	25,000	359,824
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 238,138</b>	<b>\$ 84,472</b>	<b>\$ 34,521</b>	<b>\$ 357,131</b>

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities

For the Year Ended June 30, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>(2,693)</b>
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$	(35,691)	
Capital outlays		-	
Gain (Loss) on disposal of fixed assets		<u>-</u>	(35,691)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

12,017

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in sick and vacation leave	<u>(1,735)</u>	(1,735)
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**Change in Net Assets of Governmental Activities**

<b>\$</b>	<b><u>(28,102)</u></b>
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The accompanying notes are an integral part of these financial statements.

**Powell Township School District  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2006**

	Scholarship Fund	Student Activities Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and equivalents	\$          8,301	\$          7,415
Accounts receivable	-	-
Investments	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>          8,301</u>	<u><u>          7,415</u></u>
<b>LIABILITIES:</b>		
Due to student activities	-	\$          7,415
Due to other funds	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u>                    </u>	<u><u>          7,415</u></u>
<b>NET ASSETS:</b>		
Reserved for scholarships	<u>          8,301</u>	
<b>TOTAL NET ASSETS</b>	<u><u>          8,301</u></u>	

The accompanying notes are an integral part of these financial statements.

**Powell Township School District  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2006**

	Scholarship Fund
	<hr/>
<b>ADDITIONS:</b>	
Private sources contributions	\$ 817
Interest	156
Other sources	<hr/> -
<b>TOTAL ADDITIONS</b>	<hr/> 973
<b>DEDUCTIONS:</b>	
Scholarships awarded	250
Transfers out	<hr/> -
<b>TOTAL DEDUCTIONS</b>	<hr/> 250
<b>CHANGE IN NET ASSETS</b>	723
Net assets, July 1	<hr/> 7,578
<b>NET ASSETS, JUNE 30</b>	<hr/> <hr/> \$ 8,301

The accompanying notes are an integral part of these financial statements.

POWELL TOWNSHIP SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Powell Township Schools conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Powell Township Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

**BASIS OF PRESENTATION**

*District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

*Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

### Governmental Funds

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service and Athletics Funds.

**Capital Projects Fund** – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

### Fiduciary Funds

**Trust and Agency Fund** – The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Private Purpose Trust Fund** – The Private Purpose Trust Fund is used to account for the granting of scholarships and awards to qualified students.

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

### Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less.

### Investments

Investments are carried at market value.

### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

### Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

### Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

### Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$8,175 in the General Fund for grant funding that has been received but is unearned.

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

#### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.



## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

#### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

### Property Taxes

Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by February 14. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

### Expenses/Expenditures

#### *District-Wide Statements*

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **NOTE B – DEPOSITS AND INVESTMENTS:**

### Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

	Primary Government	Fiduciary Funds	Total
Cash and equivalents	\$385,781	\$15,716	\$401,497
Investments	-	-	-
<b>TOTALS</b>	<b>\$385,781</b>	<b>\$15,716</b>	<b>\$401,497</b>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. The carrying amounts of the District's deposits with financial institutions were \$401,497 and the bank balance was \$417,402. The bank balance is categorized as follows:

Amount insured by the FDIC	\$99,697
Amount uncollateralized and uninsured	317,705
<b>TOTAL</b>	<b>\$417,402</b>

## **NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governments consist of \$7,834 due from the State of Michigan for State Aid and \$37,431 due from other governmental units for the operation of special programs and grant projects, and \$718 for property taxes.

**NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):**

The transfers between funds for the year ended June 30, 2006 are as follows:

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$42,453	School Service	\$17,453
	-	Capital Projects	25,000
Total	<u>\$42,453</u>	Total	<u>42,453</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE F – CAPITAL ASSETS:**

Capital assets activity of the School District's governmental activities was as follows:

	<u>Balance at 7/01/05</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/06</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$94,512	\$ -	\$ -	\$94,512
Total Capital Assets not being Depreciated	<u>94,512</u>	<u>-</u>	<u>-</u>	<u>94,512</u>
Capital assets being depreciated:				
Buildings and improvements	347,716	-	-	347,716
Buses	169,093	-	-	169,093
Vehicle	7,204	-	-	7,204
Furniture and equipment	136,911	-	-	136,911
Total Capital Assets being Depreciated	<u>755,436</u>	<u>-</u>	<u>-</u>	<u>755,436</u>
Less accumulated depreciation:				
Buildings and improvements	281,224	3,498	-	\$284,722
Buses	99,370	21,137	-	120,507
Vehicle	3,602	901	-	4,503
Furniture and equipment	97,399	10,155	-	107,554
Total Accumulated Depreciation	<u>481,595</u>	<u>35,691</u>	<u>-</u>	<u>517,286</u>
Governmental Activities Capital Assets, Net	<u>\$273,841</u>	<u>\$(35,691)</u>	<u>\$ -</u>	<u>\$238,150</u>

**NOTE F – LONG-TERM OBLIGATIONS:**

A summary of changes in long-term obligations at June 30, 2006 and transactions related thereto for the year then ended is as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>
Bus note payable, due in annual installments of \$13,254 including interest at 5.02% through October 2006	\$24,637	\$ -	\$12,017	\$12,620
Employee Benefits – terminal leave	61,800	1,735		63,535
Total	<u>\$86,437</u>	<u>\$1,735</u>	<u>\$12,017</u>	<u>\$76,155</u>

## **NOTE F – LONG-TERM OBLIGATIONS (Continued):**

### Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2006 (exclusive of employee benefits) are as follows:

<u>Fiscal</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$12,620	\$ 634	\$13,254
Total	\$12,620	\$634	\$13,254

### Employee Benefits

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Benefits shall be paid to employees who have reached the retirement age as stated in the Michigan General Schools Laws and used by the Michigan Public Schools Employees Retirement Board and have spent a minimum of 10 years of full time service or become totally disabled. Teachers earn 10 days of sick leave per year and can accumulate up to a maximum of 200 days for teacher hired prior to July 1, 2003 and 100 days for teachers hired after July 1, 2003. Upon termination of employment, accrued sick days are paid at the rate of \$50 per day for the first 100 days and \$60 per day for 101 to 200 days. Other non-teaching employees earn one sick day per month they work and may accrue up to 200 sick leave days, and are paid for up to 100 sick leave days upon retirement at the rate of \$50 per day. As of June 30, 2006, the liability for sick leave, as reported in the General Long-Term Debt Account Group, is \$63,535.

## **NOTE G – STATE REVENUE:**

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the weighted average of pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2005 - August 2006.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

## **NOTE H – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 31, 2005 totaled \$49,473,752 (\$14,280,821 designated as Homestead and \$38,192,931 designated as Non-Homestead). The total tax levied consists of 17.4491 mills for the General Fund.

## **NOTE I – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:**

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2006:

	<u>Excess Expenditures</u>
Special Revenue Funds:	
Food Service Activities	\$(3,177)

## **NOTE J – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 14.87% of covered compensation to the Plan through September 30, 2005 and 16.34% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$79,767 which consisted of \$66,599 from the District and \$13,168 from employees electing the MIP option. These represent approximately 15% and 3% of covered payroll, respectively. The District's aggregate contributions to the MPERS Plan for the years ended June 30, 2005 and 2004 were \$75,541 and \$65,892, respectively.

Payroll paid to employees covered by the System for the year ended June 30, 2006 was approximately \$419,000. The District's total payroll was approximately \$442,000.

### Other Post-Employment Benefits

In addition to pension benefits, MPERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPERS is factored into the pension contribution rate.

**NOTE J – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN  
(Continued):**

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

**NOTE K – CONTINGENT LIABILITIES:**

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (worker's compensation); and natural disasters. The District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to worker's compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The District estimates that the amount of actual or potential claims, if any, against the District as of June 30, 2006, not covered by insurance are not material to the general purpose financial statement. Therefore, no provision for estimated claims is recognized.

**NOTE L – ECONOMIC DEPENDENCY:**

The School District receives approximately 5 percent of its revenues through State and Federal sources and 80 percent through property revenue to be used for providing elementary education to the students of Powell Township Schools.

**NOTE M – ENDOWMENT FUNDS:**

The following endowed funds are considered to be the property of the various groups and not the District. The \$80,000 Carl Don Johnson Fund corpus is to be retained, with the income restricted to library use.

The School District entered into an agreement with the Marquette Community Foundation on July 18, 2000 for the creation of the Powell Township Education Fund (the "Fund"). The Fund's purpose is to benefit educational purposes within Powell Township School District. If the District should cease to exist, the Fund will be used for educational purposes in Powell Township. The District transferred \$10,000 irrevocable to the Foundation to establish the Fund during the year ended June 30, 2001.

**NOTE N – ACCRUED LIABILITIES:**

A summary of accrued liabilities at June 30, 2006 is as follows:

	Governmental Activities
Accrued wages	\$48,838
Accrued fringes	11,716
TOTAL	<u>\$60,554</u>

**NOTE O – RESERVED AND DESIGNATED FUND EQUITY:**

The School District reserves fund equities for the following funds:

Library Trust Fund – The resources of the Library Trust Fund have been accumulated for the specific purpose of library use. The fund equity is reserved for this purpose.

**NOTE P – NONMONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities utilized. The School District recognized \$3,873 during fiscal year 2005-06 in revenues and expenditures for USDA commodities.

## REQUIRED SUPPLEMENTAL INFORMATION



**Powell Township School District**

**General Fund**

**Budgetary Comparison Schedule**

**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 716,513	\$ 748,727	\$ 739,903	\$ 32,214	\$ (8,824)
State sources	53,485	47,172	44,860	(6,313)	(2,312)
Federal sources	1,000	26,800	25,795	25,800	(1,005)
TOTAL REVENUES	770,998	822,699	810,558	51,701	(12,141)
EXPENDITURES:					
Instruction					
Basic programs	435,700	454,716	451,670	(19,016)	3,046
Added needs	85,308	54,247	53,585	31,061	662
Supporting Services					
Pupil services	-	30,652	30,327	(30,652)	325
Instructional staff	28,802	35,625	28,603	(6,823)	7,022
General administration	77,005	75,941	72,333	1,064	3,608
Business services	11,050	27,050	26,253	(16,000)	797
Operation and maintenance	93,621	92,522	87,629	1,099	4,893
Transportation	67,424	53,907	53,546	13,517	361
Community Services	329	674	253	(345)	421
Capital Outlay	-	900	871	(900)	29
Debt Service	13,570	13,254	13,254	316	-
TOTAL EXPENDITURES	812,809	839,488	818,324	(26,679)	21,164
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,811)	(16,789)	(7,766)	25,022	9,023
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	25	25	25	-
Transfers in	1,028	497	-	(531)	(497)
Transfers from other governmental units	11,000	11,000	7,385	-	(3,615)
Transportation reimbursement	27,000	29,550	27,931	2,550	(1,619)
Transfers out	(43,812)	(44,272)	(42,453)	(460)	1,819
TOTAL OTHER FINANCING SOURCES (USES)	(4,784)	(3,200)	(7,112)	1,584	(3,912)
NET CHANGE IN FUND BALANCE	(46,595)	(19,989)	(14,878)	26,606	5,111
Fund Balance, July 1, 2004	253,016	253,016	253,016	-	-
FUND BALANCE, JUNE 30, 2005	\$ 206,421	\$ 233,027	\$ 238,138	\$ 26,606	\$ 5,111

## OTHER SUPPLEMENTAL INFORMATION

Powell Township School District

General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Local Sources:			
Property Taxes	\$ 680,406	\$ 681,124	\$ 718
Commercial Forest Tax	13,737	13,737	-
Other Local Sources:			
Tuition	840	884	44
Community Services	6,600	7,961	1,361
Other local revenue	30,644	18,543	(12,101)
Income from deposits	16,500	17,654	1,154
<b>TOTAL LOCAL SOURCES</b>	<b>748,727</b>	<b>739,903</b>	<b>(8,824)</b>
State Sources:			
State Aid Foundation	7,302	6,681	(621)
Special Education	15,778	16,590	812
Preschool	22,159	19,800	(2,359)
Other	1,933	1,789	(144)
<b>TOTAL STATE SOURCES</b>	<b>47,172</b>	<b>44,860</b>	<b>(2,312)</b>
Federal Sources:			
Elementary and Secondary Education Act	23,146	23,146	-
Other	3,654	2,649	(1,005)
<b>TOTAL FEDERAL SOURCES</b>	<b>26,800</b>	<b>25,795</b>	<b>(1,005)</b>
<b>TOTAL REVENUES</b>	<b>822,699</b>	<b>810,558</b>	<b>(12,141)</b>
<b>EXPENDITURES:</b>			
<b>INSTRUCTION</b>			
Basic Programs:			
Elementary:			
Salaries	213,746	213,715	31
Employee benefits	119,661	119,544	117
Purchased services	2,324	1,012	1,312
Supplies and materials	11,915	10,911	1,004
<b>TOTAL ELEMENTARY</b>	<b>347,646</b>	<b>345,182</b>	<b>2,464</b>
Middle School			
Salaries	54,260	54,260	-
Employee benefits	29,588	29,496	92
Supplies, materials and other	625	348	277
<b>TOTAL MIDDLE SCHOOL</b>	<b>84,473</b>	<b>84,104</b>	<b>369</b>
Preschool:			
Salaries	14,502	14,467	35
Employee benefits	6,366	6,328	38
Purchased services	1,425	1,285	140
Supplies, materials and other	304	304	-
<b>TOTAL PRESCHOOL</b>	<b>22,597</b>	<b>22,384</b>	<b>951</b>
<b>TOTAL BASIC PROGRAMS</b>	<b>454,716</b>	<b>451,670</b>	<b>3,046</b>

**Powell Township School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Added Needs:</b>			
<b>Special Education:</b>			
Salaries	\$ 29,102	\$ 28,991	\$ 111
Employee benefits	15,438	15,420	18
Purchased services	835	333	502
Supplies, materials, and other	680	670	10
<b>TOTAL SPECIAL EDUCATION</b>	<u>46,055</u>	<u>45,414</u>	<u>641</u>
<b>Compensatory Education:</b>			
Salaries	5,269	5,271	(2)
Employee benefits	2,529	2,528	1
Supplies, materials, and other	394	372	22
<b>TOTAL COMPENSATORY EDUCATION</b>	<u>8,192</u>	<u>8,171</u>	<u>21</u>
<b>TOTAL ADDED NEEDS</b>	<u>54,247</u>	<u>53,585</u>	<u>662</u>
<b>TOTAL INSTRUCTION</b>	<u>508,963</u>	<u>505,255</u>	<u>3,708</u>
<b>SUPPORTING SERVICES</b>			
<b>Pupil Services:</b>			
Salaries	13,641	13,639	2
Employee benefits	7,584	7,510	74
Purchased services	9,272	9,021	251
Supplies, materials, and other	155	157	(2)
<b>TOTAL PUPIL SERVICES</b>	<u>30,652</u>	<u>30,327</u>	<u>325</u>
<b>Instructional Staff:</b>			
Salaries	13,359	13,358	1
Employee benefits	3,214	3,155	59
Purchased services	12,356	9,916	2,440
Supplies, materials, and other	6,696	2,174	4,522
<b>TOTAL INSTRUCTIONAL STAFF</b>	<u>35,625</u>	<u>28,603</u>	<u>7,022</u>
<b>General Administration:</b>			
<b>Board of Education:</b>			
Purchased services	6,200	5,635	565
Supplies, materials, and other	8,100	5,896	2,204
<b>TOTAL BOARD OF EDUCATION</b>	<u>14,300</u>	<u>11,531</u>	<u>2,769</u>

## Powell Township School District

## General Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Executive Administration:</b>			
Salaries	\$ 37,839	\$ 37,770	\$ 69
Employee benefits	9,502	9,407	95
Purchased services	10,100	9,136	964
Supplies, materials, and other	4,200	4,489	(289)
<b>TOTAL EXECUTIVE ADMINISTRATION</b>	<b>61,641</b>	<b>60,802</b>	<b>839</b>
<b>TOTAL GENERAL ADMINISTRATION</b>	<b>75,941</b>	<b>72,333</b>	<b>3,608</b>
<b>Business Services:</b>			
Purchased services	9,650	8,931	719
Supplies, materials, and other	17,400	17,322	78
<b>TOTAL BUSINESS SERVICES</b>	<b>27,050</b>	<b>26,253</b>	<b>797</b>
<b>Operation and Maintenance:</b>			
Salaries	22,591	22,834	(243)
Employee benefits	10,724	10,515	209
Purchased services	16,095	12,860	3,235
Supplies, materials, and other	43,112	41,420	1,692
<b>TOTAL OPERATION AND MAINTENANCE</b>	<b>92,522</b>	<b>87,629</b>	<b>4,893</b>
<b>Transportation:</b>			
Salaries	24,360	24,261	99
Employee benefits	8,747	8,416	331
Purchased services	10,000	10,735	(735)
Supplies, materials, and other	10,800	10,134	666
<b>TOTAL TRANSPORTATION</b>	<b>53,907</b>	<b>53,546</b>	<b>361</b>
<b>TOTAL SUPPORTING SERVICES</b>	<b>315,697</b>	<b>298,691</b>	<b>17,006</b>
<b>COMMUNITY SERVICES</b>			
Supplies, materials, and other	674	253	421
<b>TOTAL COMMUNITY ACTIVITIES</b>	<b>674</b>	<b>253</b>	<b>421</b>
<b>CAPITAL OUTLAY</b>			
Supporting services	800	781	19
Operations and maintenance	100	90	10
<b>TOTAL CAPITAL OUTLAY</b>	<b>900</b>	<b>871</b>	<b>29</b>
<b>DEBT SERVICE:</b>			
Principal payments	12,017	12,017	-
Interest payments	1,237	1,237	-
<b>TOTAL DEBT SERVICE</b>	<b>13,254</b>	<b>13,254</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>839,488</b>	<b>818,324</b>	<b>21,164</b>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<b>(16,789)</b>	<b>(7,766)</b>	<b>9,023</b>

**Powell Township School District**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Other Financing Sources (Uses):</b>			
Sale of assets	\$ 25	\$ 25	\$ -
Transfers In	497	-	(497)
Transfers from other governmental units	11,000	7,385	(3,615)
Transportation reimbursement	29,550	27,931	(1,619)
Transfers (out)	(44,272)	(42,453)	1,819
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,200)</b>	<b>(7,112)</b>	<b>(3,912)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(19,989)</b>	<b>(14,878)</b>	<b>5,111</b>
Fund Balance, July 1	253,016	253,016	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 233,027</b>	<b>\$ 238,138</b>	<b>\$ 5,111</b>

**Powell Township School District**

**Non-Major Governmental Funds**

**Combining Balance Sheet**

**June 30, 2006**

	Special Revenue Funds	Capital Projects Fund	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 34,521	\$ 34,521
Due from other governmental units	484		484
Inventory	591	-	591
<b>TOTAL ASSETS</b>	<b>\$ 1,075</b>	<b>\$ 34,521</b>	<b>\$ 35,596</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 111	\$ -	\$ 111
Due to other funds	373	-	373
Deferred revenues	591	-	591
<b>TOTAL LIABILITIES</b>	<b>1,075</b>	<b>-</b>	<b>1,075</b>
<b>FUND BALANCES:</b>			
Reserved for school service activities	-	-	-
Designated for capital outlay	-	34,521	34,521
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>34,521</b>	<b>34,521</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,075</b>	<b>\$ 34,521</b>	<b>\$ 35,596</b>

**Powell Township School District**

**Non-Major Governmental Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2006**

	Special Revenue Funds	Capital Projects Fund	Total
<b>REVENUES:</b>			
Athletic activities	\$ -	\$ -	\$ -
School lunch activities	5,873	-	5,873
State aid	512	-	512
Federal sources	19,373	-	19,373
<b>TOTAL REVENUES</b>	<b>25,758</b>	<b>-</b>	<b>25,758</b>
<b>EXPENDITURES:</b>			
School lunch activities	43,211	-	43,211
Athletic activities	-	-	-
Capital outlay	-	15,479	15,479
<b>TOTAL EXPENDITURES</b>	<b>43,211</b>	<b>15,479</b>	<b>58,690</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(17,453)</b>	<b>(15,479)</b>	<b>(32,932)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	17,453	25,000	42,453
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>17,453</b>	<b>25,000</b>	<b>42,453</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>9,521</b>	<b>9,521</b>
Fund Balance, July 1	-	25,000	25,000
<b>FUND BALANCE, JUNE 30</b>	<b>\$ -</b>	<b>\$ 34,521</b>	<b>\$ 34,521</b>



**Powell Township School District**  
**Non-Major Special Revenue Funds**  
**Combining Balance Sheet**

**June 30, 2006**

	School Lunch Fund	Athletic Fund	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governmental units	484		484
Inventory	591	-	591
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,075</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,075</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 111	\$ -	\$ 111
Due to other funds	373	-	373
Deferred revenues	591	-	591
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>1,075</u>	<u>-</u>	<u>1,075</u>
<b>FUND BALANCES:</b>			
Reserved for school service activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,075</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,075</u></u>

**Powell Township School District**

**Non-Major Special Revenue Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2006**

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
Athletic activities	\$ -	\$ -	\$ -
School lunch activities	5,873	-	5,873
State aid	512	-	512
Federal sources	19,373	-	19,373
<b>TOTAL REVENUES</b>	<u>25,758</u>	<u>-</u>	<u>25,758</u>
<b>EXPENDITURES:</b>			
School lunch activities	43,211	-	43,211
Athletic activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>43,211</u>	<u>-</u>	<u>43,211</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(17,453)</u>	<u>-</u>	<u>(17,453)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	<u>17,453</u>	<u>-</u>	<u>17,453</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>17,453</u>	<u>-</u>	<u>17,453</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Powell Township School District**

**School Lunch Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
School lunch activities	\$ 6,950	\$ 5,873	\$ (1,077)
State aid	512	512	-
Federal sources	<u>13,500</u>	<u>19,373</u>	<u>5,873</u>
<b>TOTAL REVENUES</b>	<u>20,962</u>	<u>25,758</u>	<u>4,796</u>
<b>EXPENDITURES:</b>			
School lunch activities:			
Salaries	13,589	13,496	93
Employee benefits	12,336	11,780	556
Purchased services	1,054	1,014	40
Supplies and materials	<u>13,055</u>	<u>16,921</u>	<u>(3,866)</u>
<b>TOTAL EXPENDITURES</b>	<u>40,034</u>	<u>43,211</u>	<u>(3,177)</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(19,072)</u>	<u>(17,453)</u>	<u>1,619</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from general fund	<u>19,072</u>	<u>17,453</u>	<u>(1,619)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>19,072</u>	<u>17,453</u>	<u>(1,619)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Powell Township School District

Athletic Fund

Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Athletic activities	\$ -	\$ -	\$ -
<b>TOTAL REVENUES</b>	-	-	-
<b>EXPENDITURES:</b>			
Athletic activities:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Other expenses	200		200
<b>TOTAL EXPENDITURES</b>	200	-	200
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	(200)	-	200
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from general fund	200		(200)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	200	-	(200)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance, July 1	-	-	-
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Powell Township School District  
Capital Projects Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Interest	\$ -	\$ -	\$ -
Sale of Fixed Assets	-	-	-
Other revenues	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Other Expenditures	-	-	-
Capital outlay	50,000	15,479	34,521
<b>TOTAL EXPENDITURES</b>	<u>50,000</u>	<u>15,479</u>	<u>34,521</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(50,000)</u>	<u>(15,479)</u>	<u>34,521</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in - General Fund	25,000	25,000	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(25,000)	9,521	34,521
<b>FUND BALANCE, JULY 1</b>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ -</u>	<u>\$ 34,521</u>	<u>\$ -</u>

Powell Township School District  
Student Activity Agency Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2006

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 5,284	\$ 5,247	\$ 3,116	\$ 7,415
<b>TOTAL ASSETS</b>	<u>\$ 5,284</u>	<u>\$ 5,247</u>	<u>\$ 3,116</u>	<u>\$ 7,415</u>
<b>LIABILITIES:</b>				
Due to Parent Group	\$ 3,516	\$ 801	\$ 1,791	\$ 2,526
Due to Class Trip 2005	1,111	4,438	1,325	4,224
Due to Class Trip 2007	167	2	-	169
Due to Class Trip 2009	166	2	-	168
Due to Class Trip 2011	244	3	-	247
Due to Class Trip 2013	80	1	-	81
<b>TOTAL LIABILITIES</b>	<u>\$ 5,284</u>	<u>\$ 5,247</u>	<u>\$ 3,116</u>	<u>\$ 7,415</u>

## COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

REPORT ON COMPLIANCE ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Powell Township Schools  
Big Bay, Michigan

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of Powell Township Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated September 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered whether Powell Township Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about Powell Township Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated September 13, 2006.

This report is intended solely for the information and use of the finance committee, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

September 13, 2006





***Powell Township School District***  
*Report to Management Letter*  
*For the Year Ended June 30, 2006*

Board of Education  
Powell Township School District  
Big Bay, Michigan 49808

In planning and performing our audit of the financial statements of the Powell Township School District for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Powell Township School District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

***Reportable Conditions***

**Instances of Non-Compliance**

**Uniform Budgeting and Accounting Act (P.A. 621)**

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

Board of Education  
Powell Township School District  
Big Bay, MI 49808

The Powell Township School District was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in the Footnotes of the financial statements.

***Other Comments and Recommendations***

**School Bus Inventory**

The school bus inventory listing maintained by the Michigan Department of Education does not agree to the school buses recorded in the School District's capital assets. We recommend the School District update the school bus inventory with the Michigan Department of Education annually.

\* \* \* \* \*

This report is intended solely for the information and use of the Powell Township School District board, management, and other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Powell Township School District's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 13, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

September 13, 2006

Board of Education  
Powell Township School District  
Big Bay, Michigan 49808

We have audited the financial statements of the Powell Township School District for the year ended June 30, 2006, and have issued our report thereon dated September 13, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 19, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Powell Township School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Powell Township School District are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2006. We noted no transactions entered into by the Powell Township School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our

Board of Education  
Powell Township School District  
Big Bay, MI 49808

auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Powell Township School District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Powell Township School District, either individually or in the aggregate, indicate matters that could have a significant effect on the Powell Township School District's financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Powell Township School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

#### **Conclusion**

This information is intended solely for the use of the Powell Township School District Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants